

PO Box 383
Madison, CT 06443
Email: fpullaro@renew-ne.org
Web: renew-ne.org

Testimony of Renewable Energy New England, Inc. before the
Energy and Technology Committee on
Senate Bill 450 - *An Act Concerning Energy Conservation And Renewable Energy.*

March 20, 2012

Senator Fonfara, Representative Nardello, Senator Witkos, Representative Hoydick and members of the Energy and Technology Committee, my name is Francis Pullaro and I'm here on behalf of Renewable Energy New England, Inc. ("RENEW") as its Executive Director to testify on Senate Bill 450 - *An Act Concerning Energy Conservation And Renewable Energy.*

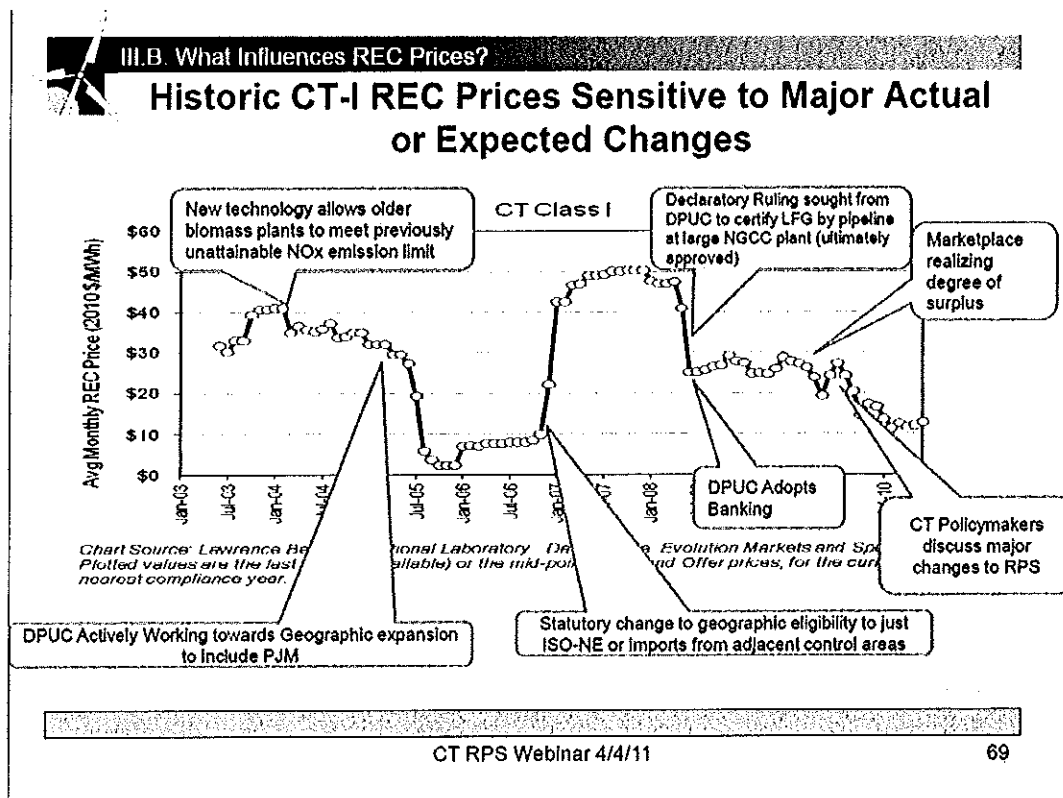
RENEW is a non-profit association uniting the renewable energy industry and environmental interest groups whose mission involves coordinating the ideas and resources of its members with the goal of increasing environmentally sustainable energy generation in New England from the region's abundant renewable energy resources. RENEW's membership is comprised of the American Wind Energy Association, Anbaric Transmission, Conservation Law Foundation, Deepwater Wind, First Wind Energy, EDP Renewables, Iberdrola Renewables, Union of Concerned Scientists and Vestas American Wind Technology.

RENEW's comments today address two parts of the bill: micro-grids and the solicitation method for large renewable energy resources.

1. RPS Market Design for Micro-grids

In Section 14 of SB450, the 25 percent carve-out for micro-grid resources will reduce Connecticut's Class I RPS goals. It will likely diminish the appetite of renewable energy developers to continue investing in our state and region and increase the cost of Class I resources in the years ahead. With Connecticut representing a significant amount

of New England load, its RPS policies send a strong signal to investors that they should develop Class I resources in our state and region. Weakening the RPS requirements will be interpreted by many as Connecticut turning its back on the RPS and its original objectives. The market will account for the effect of state policy decisions in REC prices as has happened in the past.



State Policy Decision Impact on REC Prices. Source: Sustainable Energy Advantage presentation to Connecticut Energy Advisory Board, April 4, 2011.

If Class I targets are weakened by implementing the 25 percent carve-out, developers will be less willing to accept the regulatory and financial risk to develop projects to meet the remaining Class I obligations. It may potentially even curb interest in deploying resources to support micro-grids.

RENEW recommends an alternative approach to support micro-grids that maintains regulatory stability and boosts the effectiveness of the current RPS program. For CHP resources, an increase in the Class III requirement will encourage further development for micro-grids by relieving the oversupply of Class III RECs. It will also prevent the arbitrage around Class I and Class III RECs by CHP if it is eligible for both. RENEW also supports policies to help current Class I eligible resources like solar and

fuel cells be deployed in micro-grids. Here, RENEW recommends changes to the ZREC and LREC programs to give reliability benefits and micro-grid eligibility extra weighting in the solicitation criteria for these programs.

2. Large Scale RPS Eligible Resources; Utility Generation Ownership

In Section 20 of the bill, lines 805-820, RENEW applauds the Committee's goal of ensuring the development of large scale renewable resources at below cost to consumers. RENEW, however, believes that this goal can be better accomplished through the process in Section 94 of Public Act 11-80, which authorizes DEEP to "consider bilateral purchasing contracts" of up to twenty years to lower electric rates for consumers and yield more environmentally sustainable generation resources. RENEW submits that long term contracts with renewable energy developers for RECs, energy and capacity will ensure the maximum amount of renewable resources are developed at the least cost. DEEP has the power under Section 94 to use its leadership to take control of Connecticut's renewable energy future. The lack of adequate amounts of long term contracting for large scale renewable resources, like the successful Section 127 procurements, keeps needed projects on the drawing board. RENEW hopes DEEP will conduct a "generation evaluation" as prescribed by Section 94, to identify the right mix of low cost renewable generation to meet our RPS goals.

RENEW submits that on-shore wind projects can meet the challenge of providing ratepayers with low cost renewable energy. Large scale wind resources are currently economically competitive in comparison to the current fossil fuel dominated fleet, even if one ignores the broader macroeconomic benefits of investing in clean indigenous wind rather than fossil fuel fired generation. Neighboring utility NSTAR, soon to be merged with Northeast Utilities, recently entered into long term fixed price contracts to buy electricity from two RENEW members. **The costs of energy, RECs and capacity under each of the contracts are lower than the corresponding forecasted market prices for the ten years of the contracts.** During proceedings before the Massachusetts Department of Public Utilities ("DPU") on these contracts, credible and independent analysts estimated the cost of the contracts to be well below 10 cents per kWh. According to the DPU Order approving the contracts, the contract pricing is substantially below projected New England power and REC market prices, and will provide more than **\$110 million in savings to NSTAR customers or about \$1 million per megawatt.** In the years ahead as offshore wind is further commercialized, it appears likely that new facilities tapping into our abundant off-shore wind resource will similarly become directly competitive on price, even before taking into account the broader economic benefits and the potential for jobs and increased economic activity in southeastern Connecticut, arising from the waters beyond Block Island.

SB 450 provides for the utilities to own large scale renewable generation. While it is unstated, it appears utility owned renewable resources will operate under the cost of service regime and without having been exposed to a competitive process when proposing such projects. In general, RENEW supports principles that result in the development of the least cost renewable energy facilities. This goal is achieved through a competitive procurement process and supporting the approved projects by long term contracts. Unlike under cost of service, once the developer is selected, it must adhere to the terms of the RFP and cannot assess ratepayers for cost overruns. While RENEW members are always willing to compete in project solicitations, it sees no reason to modify Connecticut's electric restructuring law to allow for utility owned large scale resources not as long as the competitive market can fulfill this responsibility.

Thank you for the opportunity to testify before you today.